



## Chapter 3

# Allotment Amendments and Variance Reporting

## 3.1 Allowable Allotment Amendments

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### Restrictions for using allotment amendments

Under RCW 43.88.110, operating expenditure amendments may only be submitted in limited circumstances: (1) to reflect legislative changes to an appropriation; (2) to implement reductions directed by the Governor because of a revenue shortfall; and (3) for a one-time update prior to the second year of the biennium. The initial allotment plus these allowable changes becomes the statement of proposed expenditures transmitted to the Legislative Evaluation and Accountability Program Committee (LEAP). This estimate also sets the base for quarterly variance reports.

Cash receipt, cash disbursement, and revenue allotments submitted as separate packets are not subject to these restrictions. Initial capital allotments are due at the same time as the operating allotments, and amendments for specific projects can occur at any time. For additional information on capital allotments, see Chapter 8.

## 3.2 OFM Expenditure Authority

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### Submit separate amendments for unanticipated receipts, E-fund and other allocations

Because OFM has responsibility for approving unanticipated receipts and for making other allocations, agencies may also submit separate allotment amendments for unanticipated receipts, Emergency Fund, Retrospective Rating Refund, and other allocations. These specific types of amendments are considered part of an expenditure authority granted by OFM and are not included in the official allotment estimate transmitted to LEAP.

## 3.3 Unanticipated Receipts

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### Rules governing the expenditure of outside funds



#### Submit B20-1

The Governor is authorized to grant agencies expenditure authority when unanticipated outside funds are received for a specific purpose. Several conditions apply to expenditure of these funds:

- Requests for unanticipated receipts must include a B20-1 form which describes source of funding, purpose of grant, and other information used by OFM and legislative analysts.

- Match dollars and purpose*** • No expenditure or obligation can be made in excess of the actual funds received, or for a purpose different from the one for which it was received.
- Receive approval before spending begins*** • No expenditure may occur before OFM approval of the unanticipated receipt request. Agencies should plan carefully to have allotment packets and the Form B20-1 submitted to OFM to allow for review and approval before spending of the unanticipated receipts begins.
- 10-day waiting period for Legislative input*** • All unanticipated receipt requests are held for ten calendar days before OFM Approval to allow an opportunity for legislative comment. For this reason, they are due to OFM at least ten days prior to the commitment of any funds.
- Submit unanticipated receipts before legislative session*** • It is advisable to avoid submitting unanticipated receipts during legislative session, since legislative preference is that this additional spending authority be submitted in supplemental budget requests.
- Advance payment carryforward*** • If an agency has received an advance payment during the 1999-01 Biennium, and a portion of this amount can be carried over to 2001-03, the same unanticipated receipts procedure as used for new grants must be followed, unless the carryforward amount has been included in the new biennial budget. The amount of the advance payment carried forward must show as estimated revenue in 2001-03.
- Unreimbursable charges*** • In the case of expenditure-driven grants or contracts, where the state receives revenue based upon the expenditures incurred on the grant or contract total, revenues must be equal to total expenditures as a matter of state law. When expenditures are incurred that cannot be billed to the grant or contract, they are to be charged against other appropriations.
- Substituting for state funds*** • Whenever an unanticipated receipt can be substituted for state funds, those state funds must be placed in reserve in the unanticipated receipt allotment packet, and the unanticipated receipt dollars used instead.
- Nonappropriated funds*** • The unanticipated receipt mechanism does not apply to nonappropriated funds.

For detailed information regarding the completion and submittal of the unanticipated receipt form B20-1, see Section 4.2.

### 3.4 Belated Claims

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**OFM's Accounting Division approves all belated claims**

Belated claims are billings that pertained to a prior biennium that are received after that biennium is closed.

Agencies must seek approval from OFM Accounting Division for the cost of any belated claims, and must absorb these costs within their 2001-03 appropriations. An agency should submit a request in the form of a letter to their OFM Accounting consultant showing the belated claim amount and the Treasury Account and appropriation that will be charged, and the fund and appropriation that would have been charged in the prior biennium.

The OFM Accounting Division receives belated claims requests, verifies that sufficient unexpended appropriation authority from the prior biennium exists to cover the belated claim, and approves or disapproves the belated claims requests. More detailed instructions are contained in Section 85.40.10 of the OFM *State Administrative and Accounting Manual*.

### 3.5 Emergency Fund Allocations

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**Requesting emergency funds from the Governor's Office**

The Governor's Office typically receives an appropriation of funds for unexpected, emergency expenses in state agencies. If it is necessary to request an Emergency Fund allocation, this should be done through a letter to the Governor (with copies to the OFM director and assigned budget assistant) stating the need for the funding and alternative courses of action.

It is expected that emergency funds will not be requested if reallocation of existing resources, program reductions, or a supplemental budget request are available options. When Emergency Fund allocations are approved, the agency is notified in writing of the procedure for submitting an allotment amendment.

### 3.6 Other Allocations

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**Allocations for salaries, health insurance, etc.**

It is general practice for OFM to provide agencies with allocations for any legislated salary, health insurance, and pension increases/decreases prior to submittal of the initial allotment. In the case of these and other allocations, separate written instructions will be distributed. Separate instructions will also be provided for OFM distribution of capital funds for accessibility improvements, asbestos mitigation, and removal of underground storage tanks.

### 3.7 Quarterly Variance Reporting - Operating Budget

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**OFM is required to report variances to the Legislature**



The purpose of a fixed expenditure allotment is to create a benchmark against which actual expenditures can be compared. The explanation of these variances is compiled into a quarterly report by OFM Budget Division and transmitted to the Legislature per RCW 43.88.110(9).

**General fund, other funds, and FTE variances are reported to OFM**

The quarterly variance report is a high level report that, for each agency reaching the variance threshold, reflects an estimate and an actual expenditure for General Fund-State, an estimate and an actual expenditure for all other funds, and an estimate and actual expenditure for FTEs. The report uses the official OFM-approved allotments, which do not include unanticipated receipts or special allocations, except for compensation allocations made at the beginning of the biennium. The variance threshold is 10 percent, or \$5 million dollars whichever is less, based upon cumulative estimates and expenditures. For each variance that reaches the threshold, the agency is asked to explain the reason for its over or under-expenditure.

Detailed instructions for agency variance reporting on the operating budget will be distributed at the time statewide accounting reports for each fiscal quarter are available. Agencies should be aware that OFM's Accounting Division is also responsible for various aspects of expenditure monitoring that are separate from the Budget Division's quarterly variance report.

For information regarding the capital budget monitoring process, please refer to Section 11.2.2.

### 3.8 Monitoring Revenues and Expenditures

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Administering agencies should regularly track the fiscal health of accounts they are responsible for. Agencies can order a variety of AFRS Administering Agency reports to assist in this effort.

Agencies can find monthly Agency Financial Status Reports at <http://www.ofm.wa.gov/fiscalstatus/intro.htm>

### 3.9 Cash Flow Monitoring Report

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**Cash balance projections are used to estimate deficits and possible reductions**

The purpose of cash receipt and disbursement allotments is to create an estimate of cash balances at any point in time during the biennium. This estimate is used to identify cash deficits and determine appropriate actions as required in RCW 43.88.050 and RCW 43.88.110. Cash disbursement allotments are also used to monitor the progress of capital projects (see Section 11.2.2) and to determine the timing of bond sales (see Section 11.1).

In order for cash estimates to be meaningful, agencies should consider their previous biennium cash actuals when they develop these estimates.

### 3.10 Unallotted and Reserve Status

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Appropriation authority not planned to be used must be placed in unallotted or reserve status. **Reserve status** applies to appropriations that are not expected to be used because of circumstances such as Governor's across-the-board allotment reductions, technical corrections, or proviso compliance. Once funding is placed in reserve status, it cannot be allotted at a later time. **Unallotted status** is used at agency discretion to refer to expenditures not yet specifically scheduled. This restriction does not apply to amendments and capital allotments for specific projects.

- Before placing appropriation authority in unallotted or reserve status in the initial allotment, agencies should consider the fact that, in most cases, they will not be able to move these funds to allotted status until the second year revision of the allotment.
- To the extent possible, amounts in unallotted or reserve status should be placed in the proper fiscal year.

### 3.11 Nonappropriated Funds

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**Restrictions for nonappropriated allotment amendments**

Allotment amendments for nonappropriated funds are subject to the same restrictions as allotment amendments for appropriated funds. Initial allotments for nonappropriated funds should match the amount contained in the legislative budget database unless an alternative level of funding is approved by OFM. The exception to this is that compensation changes (salary and health benefit increases, and

pension rate savings) should be included in the initial allotments. It is important for nonappropriated budgeted funds to be included in the initial allotment since changes are not allowed until the second fiscal year of the biennium. Significant differences between allotments and actual expenditures are to be explained as part of regular quarterly variance reporting.

### 3.12 Fiscal Year Appropriation for General Fund-State

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**Legislature must approve appropriations carried over to next fiscal year for GF-State**

As in recent years, appropriations for General Fund-State are by year. This means the use of each year's appropriation is limited to the fiscal year for which it was appropriated. Any excess balance cannot be carried over from Fiscal Year 2002 to Fiscal Year 2003 unless approved by the Legislature in a supplemental budget. Similarly, agencies cannot begin spending their Fiscal Year 2003 appropriation before July 1, 2002, and it can be used only for Fiscal Year 2003 expenditures.

### 3.13 Second Year Allotment Revisions

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**What is allowable in second year allotment revisions?**

OFM will issue instructions for second year allotment revisions at least one month prior to the requested submittal date (May or June of 2002). In the second year allotment revision, agencies will be allowed to: alter expenditure estimates by month, program, or object; shift estimates between allotted and unallotted/reserve status; and update nonappropriated fund estimates. Agencies are not to shift estimated expenditures between fiscal years in any allotted account.

Revenue, cash receipt, and cash disbursement amendments should accompany these expenditure revisions when necessary.

### 3.14 Interagency Agreements

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Allotment amendments for interagency agreements are not required. Any additional FTEs required for the service delivery of these agreements should be explained as part of the quarterly variance report. If an agency prefers to include interagency agreements in its official allotment, they should be included in the initial B packet or in the second-year allotment change.